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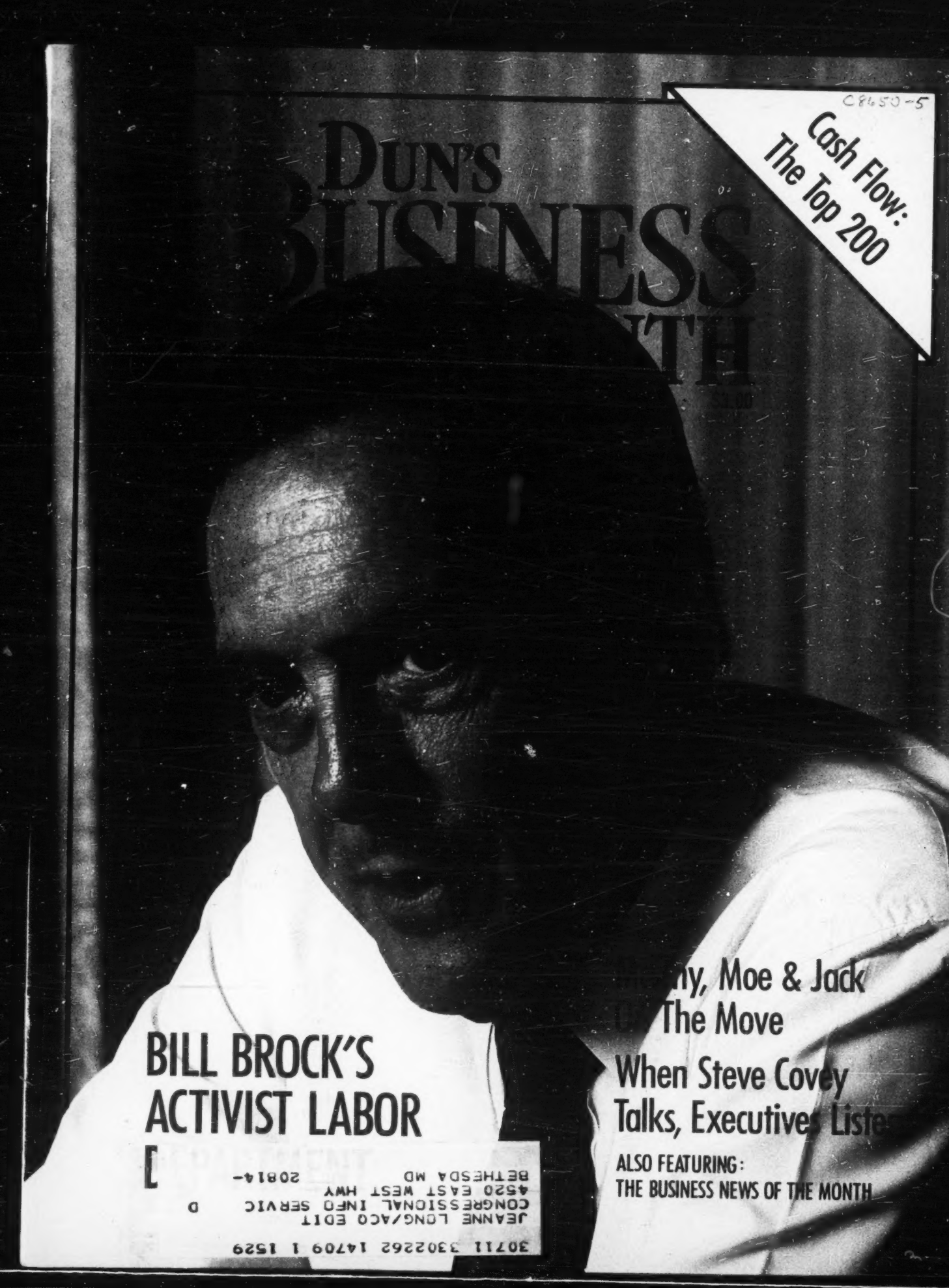
DUN'S BUSINESS MONTH

Cash Flow: The Top 200



BILL BROCK'S ACTIVIST LABOR

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ALSO FEATURING:
THE BUSINESS NEWS OF THE MONTH

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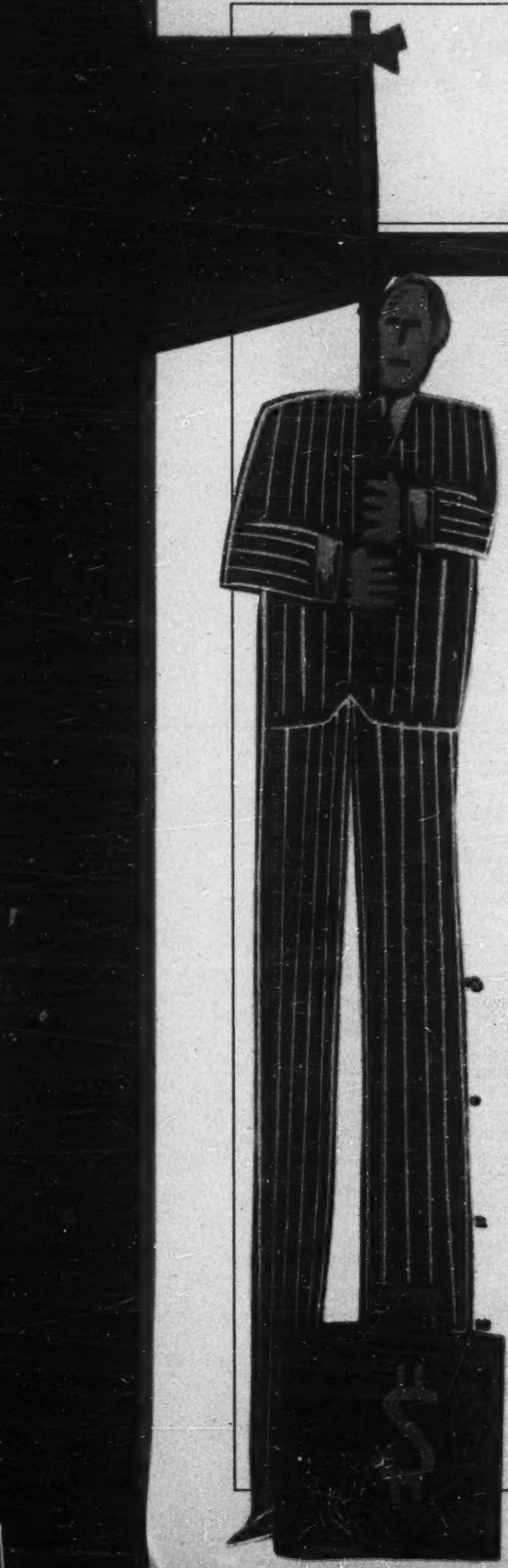

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Cash Flow: The Top 200 60
Despite lackluster profits, corporate treasurers are awash in cash. So much so that they are trying new, riskier investment strategies.

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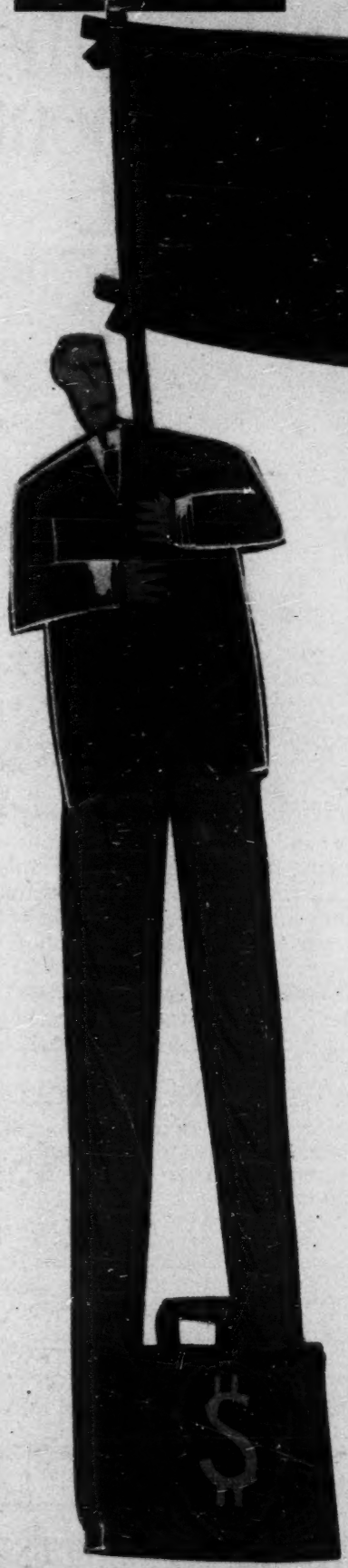
Cash Flow: The Top 200



Profits faltered and the economy expanded a sedate 2.2% last year. Nevertheless, cash poured into corporate coffers. The total cash generated by the 200 leaders in DUN'S BUSINESS MONTH annual survey of nonfinancial companies soared to $204.4 billion in 1985 from $171.5 billion in 1984.

A hefty chunk—$22.4 billion—resulted from the restoration of American Telephone & Telegraph and the inclusion of the Baby Bells in the rankings. Last year, neither AT&T nor its offspring reported all the information needed to calculate their cash flow. But the 1985 total still outdistances the $200.7 billion notched in 1983, when the economy expanded at a heady 6.8% and profits were more robust.

Corporations are sitting on an unprecedented bounty of cash, courtesy of the generous depreciation allowances spawned by the 1984 Tax Act and weak capital spending. This cornucopia has also created something of a dilemma for corporate treasurers: how to invest it all. Returns on certificates of deposit and other traditional parking places for cash have plummeted. "If you had a division that's earning 3% [the recent aftertax return on Treasury bills], you'd probably sell it," says Bruce Lipnick, president of Wharton Asset Management Corp. "If the operating arms are making 10% or 14%, obviously the cash is underperforming."

Since corporations can't easily sell their treasury departments, they are instead scouring the markets for alternatives. "A more attentive attitude towards investment alternatives is replacing the benign neglect" that treasurers traditionally accorded their cash, says Robert Gordon, president of Twenty-First Securities Corp., which tailors arbitrage and hedging strategies for corporations.

Corporate treasurers have been thrust into a new era of enlightenment. Bill Glynn, chief financial officer for MDU Resources Group Inc., admits that, three years ago, "puts and calls were just fifty-dollar words to me." But the metamorphosis of the Bismarck, North Dakota, utility into a diversified energy concern left it with a horde of cash. Rather than let this "excess" cash languish in traditional money market instruments, MDU sought higher-yielding investments. Today, the company is still waiting for the right coal or gas property to come along. But in the meantime, it has more than $50 million in four different equity programs, all of which are hedged—using stock indices and put and call options.

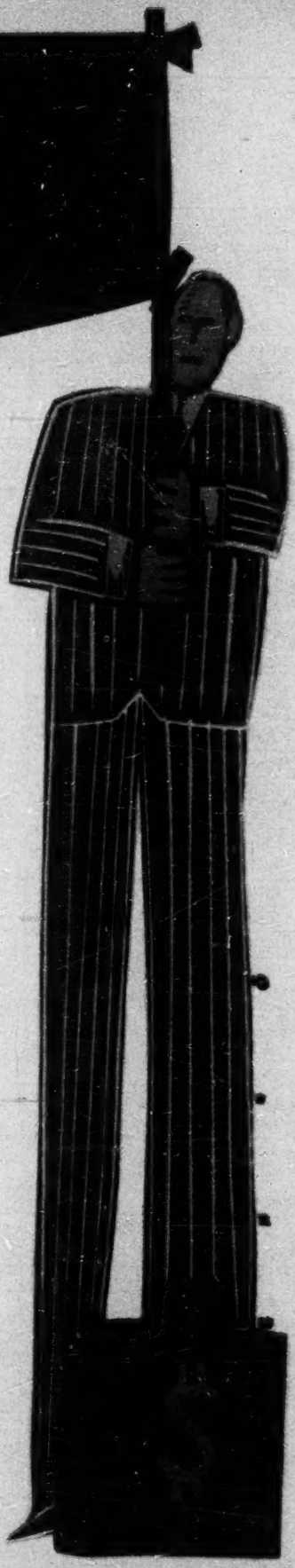
Financial officers like Glynn must reconcile their thirst for higher yields with their basic concern for liquidity and stability of principal. To get higher returns, however, many are assuming more risk and forfeiting instant access to every dollar.

Mounting piles of corporate cash make longer investment horizons feasible. "It makes sense to take a chance that some cash will be available on a permanent basis," says Charles H. Gunderson, treasurer of Foote, Cone & Belding Communications Inc. Pausing to reflect on the plethora of his current investments, he says, "It's sure a long way from doing overnight repos."

ILLUSTRATION BY RANDALL ENOS

The cash poured into corporate coffers last year and treasurers are investing it in daring new ways.

by Elizabeth Kaplan



Companies willing to commit cash for ninety days or so are tapping a panoply of investment strategies—including program trading, auction-rate preferred stock and municipal notes. And many are uncovering a layer of cash—clearly in excess of their day-to-day and emergency needs—that will be available for a year or more. These companies have broadened the playing field to include municipal notes and bonds; straight, sinking fund and adjustable-rate preferreds; and hedged equity programs. "Then it's a question of how much volatility and how much certainty of rate of return each one has, how you can hedge the specific risks involved," says Hugh Lamle, executive vice president of M.D. Sass Investors Service, "and what combination is likely to produce the desired returns with the desired level of risk."

Among these "longer-term" investments, hedged equity programs—a.k.a. dividend capture programs or buy/write programs—have been the rage the past year and a half. The managers buy stock before the dividend is paid, collect the dividend and hold the stock at least 46 days—the minimum period required to exempt 85% of the dividend from taxation. Most managers strive for twice the aftertax annualized return on three-month Treasury bills—recently about 3.5%.

Dividend capture programs differ according to the types of stocks and the hedges they use. For example, M.D. Sass buys common stocks, sells call options on those stocks to cushion possible declines and buys puts and sells calls on the Standard & Poor's 100-stock index to "insure" the overall portfolio. Some managers use high-yielding preferred or utility stocks. They hedge with interest-sensitive futures or options on T-bills or T-bonds. But such hedges don't protect against risk to the specific equity portfolio—such as the recent Chernobyl nuclear disaster.

To pare risks further, some CFOs divide their cash. "Our strategy is to go into eight or nine programs," says Gunderson. "Our utility portfolios took a hit after Chenobyl but our municipal bond programs and adjustable-rate programs were doing well."

Starting on page 62 is DUN'S roster of the top 200 nonfinancial companies ranked by the dollar value of cash flow generated from operations in 1985. In using cash flow as a yardstick of a company's financial well-being, it is important to look at its direction for more than a single year, and in conjunction with other key measures.

In this listing, DUN'S BUSINESS MONTH includes the following: cash flow generated from operations for 1985; per cent change in cash flow from 1984; net income for 1985 and the percent change since 1984; discretionary cash flow (cash flow minus capital expenditures, dividends and debt retirement) in 1985 and 1984; return on equity; the debt-to-equity ratio; revenues; and cash flow as a percent of revenues. The data is drawn from 6,400 companies in S&P's Compustat data base. Definitions of terms and footnotes are on page 68.

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
1. Exxon	11,778	5.2	4,870	−11.9	−54	334	16.7	.27	86,673	13.6
2. General Motors	11,033	32.9	3,999	−11.5	−494	306	13.6	.19	96,372	11.5
3. Int'l. Business Machines	9,677	16.3	6,555	−0.4	71	94	20.5	.16	50,056	19.3
4. Chevron	8,003	61.5	1,547	0.9	1,139	−106	10.0	.80	41,742	14.4
5. American Tele. & Telegraph	5,705	NA	1,557	−13.6	−522	−7,979	9.9	.57	56,431	10.1
6. Ford Motor	5,372	−20.0	2,515	−13.5	540	2,714	20.5	.28	52,774	10.2
7. Amoco	4,806	0.5	1,953	−10.5	−181	300	16.9	.33	26,922	17.9
8. Texaco	4,617	21.7	1,233	302.9	1,470	−133	8.9	.76	46,297	10.0
9. Atlantic Richfield	4,478	−8.1	330	−70.5	−143	483	6.0	1.36	21,723	20.6
10. Mobil	4,072	−15.7	1,040	−18.0	128	651	7.4	.79	55,960	7.3
11. Du Pont (E.I.)	4,070	7.9	1,119	−21.9	80	−87	8.9	.35	29,485	13.8
12. GTE	3,705	−0.2	−181	NM	−823	−579	2.9	1.31	15,732	23.6
13. BellSouth	3,666	NA	1,418	12.8	122	NA	13.9	.73	10,604	34.6
14. American Information Tech.	2,980	NA	1,076	8.8	268	NA	14.5	.64	9,021	33.0
15. Bell Atlantic	2,942	NA	1,092	12.3	29	NA	13.8	.70	9,094	31.3
16. Standard Oil	2,783	−20.8	308	−79.3	−143	416	3.8	.46	13,002	21.4
17. NYNEX	2,765	NA	1,095	11.0	31	NA	13.1	.65	10,314	26.8
18. Chrysler	2,650	11.2	1,635	9.3	957	961	38.8	.63	21,256	12.5
19. Boeing	2,593	95.1	566	−28.1	1,670	839	13.0	.01	13,636	19.0
20. General Electric	2,592	29.2	2,336	2.5	−566	−1,517	16.8	.15	28,285	9.2
21. Southwestern Bell	2,554	NA	996	12.8	−184	NA	13.5	.78	7,925	32.2
22. Pacific Telesis	2,504	NA	929	12.1	−428	NA	12.7	.82	8,490	29.5
23. U. S. West	2,373	NA	926	4.4	−193	NA	13.3	.75	7,813	30.4
24. Sun	2,080	20.4	527	−2.0	190	−809	9.9	.51	13,789	15.1
25. Phillips Petroleum	1,371	−13.0	596	−26.0	175	372	35.0	3.52	15,836	12.0
26. Tenneco	1,691	−29.7	431	−31.7	−661	1	6.3	1.07	15,270	11.1
27. Xerox	1,622	15.9	381	1.3	262	−389	7.6	.41	8,732	18.6
28. Unocal	1,611	−20.5	325	−53.6	−291	−195	20.0	3.53	10,738	15.0
29. RJR Nabisco	1,527	−9.4	1,001	18.7	−342	414	19.0	.89	13,533	11.3
30. Burlington Northern	1,511	−15.0	633	9.3	65	563	12.8	.67	8,651	17.5
31. Occidental Petroleum	1,367	−5.7	455	−20.0	−257	−15	7.8	1.16	14,534	9.5
32. ITT	1,374	205.5	286	−5.3	404	−701	4.3	.54	11,871	11.6
33. Union Pacific	1,352	22.0	501	1.4	−142	−186	11.5	.46	7,796	17.3
34. RCA	1,336	153.6	244	−1.0	346	−663	8.6	.34	8,972	14.9
35. Santa Fe Southern Pacific	1,249	−18.6	470	−4.3	−153	87	8.2	.32	6,439	19.4
36. Amerada Hess	1,235	101.6	−260	NM	218	−623	NM	.86	7,653	16.1
37. Norfolk Southern	1,232	40.6	500	3.7	176	87	10.5	.20	3,825	32.2
38. Minnesota Mining & Mfg.	1,217	36.6	664	−9.4	−34	−43	16.6	.22	7,846	15.5
39. K mart[4]	1,179	NM	471	−5.6	371	−950	14.5	1.03	22,645	5.2
40. Goodyear Tire & Rubber	1,123	29.6	301	−26.7	−755	37	8.6	.33	9,585	11.7
41. Philip Morris	1,046	−28.7	1,255	41.3	−136	488	26.5	1.66	12,149	8.6
42. Coca-Cola	1,047	1.4	678	7.8	−114	84	22.8	.44	7,904	13.3
43. Eastman Kodak	1,040	−33.6	332	−64.0	CF	CF	5.1	.28	10,631	9.8
44. United Parcel Service	994	32.0	568	19.1	−375	−466	28.0	.06	7,687	12.9
45. Johnson & Johnson	981	11.7	615	19.3	381	220	18.3	.12	5,421	18.1
46. United Technologies	956	40.1	636	−1.3	−33	−368	15.2	.39	14,992	6.4
47. Merck	955	22.6	540	9.5	481	279	20.5	.19	3,548	26.9
48. Anheuser-Busch	922	26.1	444	13.3	175	90	20.4	.36	7,000	13.2
49. Rockwell Int'l.[5]	912	−2.8	595	19.9	125	219	20.2	.26	11,338	8.0
50. AMR	892	22.2	346	47.9	−427	20	15.5	.87	6,131	14.5

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
51. Hewlett-Packard[4]	891	29.1	489	-26.5	150	-36	12.3	.09	6,505	13.7
52. United Telecommunications	880	9.5	21	-80.4	-432	-92	1.0	1.29	3,219	26.7
53. CSX	849	-35.0	-118	NM	-651	-140	NM	.59	7,320	11.6
54. Celanese	841	249.0	178	10.6	-533	-46	18.7	.48	3,046	27.6
55. McDonald's	835	11.3	433	11.3	-102	-28	19.6	.79	3,696	22.6
56. NCR	825	51.8	315	-8.0	340	133	13.6	.12	4,317	19.1
57. Caterpillar Tractor	824	-2.8	198	NM	378	515	6.5	.46	6,725	12.3
58. American Home Products	822	-4.2	717	9.4	201	310	31.3	.02	4,685	17.5
59. Procter & Gamble[5]	813	-29.5	635	-28.7	-924	-212	12.0	.24	13,552	6.0
60. Monsanto	792	-14.5	-128	NM	-164	106	NM	.82	6,747	11.7
61. Aluminum Co. of America	774	13.9	-17	NM	67	-67	-.6	.49	5,163	15.0
62. MCA	774	51.8	150	58.0	-98	-284	10.7	.06	2,099	36.9
63. MCI Communications	773	50.7	140	135.8	-286	-693	10.6	1.83	2,542	30.4
64. Georgia-Pacific	772	19.0	207	-18.2	-2	-178	8.8	.61	6,716	11.5
65. Kerr-McGee	757	47.4	137	110.6	171	-35	8.0	.49	3,345	22.6
66. Dart & Kraft	736	0.9	466	2.3	226	231	16.1	.21	9,942	7.4
67. Champion Int'l.	727	NM	163	NM	81	-462	6.1	.80	5,770	12.6
68. Contel	724	14.5	240	22.4	-7	-107	16.9	1.38	2,557	28.3
69. Delta Air Lines[5]	719	3.9	259	47.8	5	177	20.2	.55	4,684	15.3
70. Dow Chemical	714	-56.5	58	-89.4	-667	443	1.2	.76	11,537	6.2
71. Westinghouse Electric	708	0.3	805	13.0	-83	-151	18.8	.79	10,700	6.6
72. SmithKline Beckman	690	-1.6	514	2.8	CF	CF	22.7	.13	3,257	21.2
73. Abbott Laboratories	675	20.3	465	15.6	234	94	24.9	.30	3,360	20.1
74. Safeway Stores	655	48.9	231	25.0	-159	-423	14.3	.92	19,651	3.3
75. General Motors Class E	654	724.4	198	166.7	47	14	NR	.05	3,406	19.2
76. Diamond Shamrock	652	-29.7	-605	NM	-175	93	NM	.86	4,102	15.9
77. Digital Equipment[5]	644	NM	447	35.9	71	-553	10.1	.19	6,686	9.6
78. Bristol-Myers	636	31.3	531	12.5	170	75	21.7	.14	4,444	14.3
79. Pfizer	625	-6.9	580	14.1	36	289	20.0	.17	4,025	15.5
80. PepsiCo	618	-25.2	420	103.3	-447	-21	23.0	.82	8,057	7.7
81. Ryder System	617	21.5	125	6.6	-244	-525	14.3	1.88	2,905	21.2
82. Weyerhaeuser	615	-0.4	200	-11.5	-221	-56	5.2	.38	5,206	11.8
83. Honeywell	606	-6.3	275	-17.7	11	113	10.7	.32	6,625	9.2
84. Burroughs	602	41.1	246	1.4	9	-277	10.0	.39	5,038	12.0
85. CBS	600	61.3	203	-17.3	395	179	41.0	1.84	4,677	12.8
86. General Dynamics	592	-30.5	373	-2.4	132	547	27.9	.33	8,164	7.3
87. Holiday	588	57.5	141	7.9	52	26	21.3	1.89	1,805	32.6
88. Kimberly-Clark	582	80.3	267	22.8	14	-191	15.3	.36	4,073	14.3
89. Lilly (Eli)	576	-27.6	518	5.6	122	353	21.7	.23	3,271	17.6
90. Int'l. Paper	575	-17.9	131	9.1	-399	-108	3.3	.36	4,502	12.8
91. Federated Dept. Stores[4]	569	69.6	287	-13.0	59	-297	10.6	.30	9,978	5.7
92. Ralston Purina[6]	542	46.1	256	5.6	207	113	27.7	1.01	5,864	9.3
93. Hospital Corp. of America	528	-3.8	284	-4.4	-399	-71	13.6	1.34	4,152	12.7
94. Pennzoil	518	-23.1	199	-11.9	-187	171	22.4	1.39	2,225	23.3
95. Sara Lee[5]	512	115.8	205	9.5	161	-87	20.2	.61	8,117	6.3
96. Martin Marietta	506	44.8	249	41.7	131	73	34.8	.35	4,410	11.5
97. MAPCO	506	NM	104	153.9	351	-173	23.8	1.30	1,908	26.5
98. Lockheed	485	-22.1	401	16.5	CF	CF	26.5	.42	9,535	5.1
99. American Brands	482	-15.5	421	1.6	-40	179	17.0	.44	4,692	10.3
100. TRW	474	97.3	134	49.9	-109	-333	13.0	1.21	5,917	8.0

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
101. Halliburton	472	-37.5	29	-91.3	-94	277	1.0	.22	4,761	9.9
102. Raytheon	462	27.0	375	10.5	-19	-177	19.5	.06	6,409	7.2
103. PPG Industries	461	-1.4	303	0.0	CF	CF	17.8	.72	4,346	10.6
104. Kellogg	460	35.7	281	12.2	90	-22	41.2	.63	2,930	15.4
105. Dayton-Hudson[6]	445	56.3	284	9.4	-53	-183	14.6	.49	8,793	5.1
106. Borden	442	7.0	194	1.3	165	165	13.8	.48	4,716	9.4
107. McDonnell Douglas	435	258.5	346	6.3	-219	-492	13.1	.38	11,478	3.8
108. Times Mirror	431	31.1	237	1.9	-50	-94	24.3	.98	2,947	14.6
109. Wal-Mart Stores[4]	430	453.7	328	20.9	-153	-285	25.6	.61	8,452	5.1
110. Borg-Warner	417	26.4	180	-12.8	78	14	10.9	.21	3,330	12.5
111. American Medical[7]	416	91.0	184	19.5	-94	-184	17.0	1.80	2,256	18.4
112. Litton Industries[8]	412	-55.7	300	8.0	72	600	31.9	1.65	4,585	9.0
113. Louisiana Land & Expl.	412	1.9	10	-90.9	99	122	1.8	.64	1,162	35.4
114. Marriott	403	32.7	167	23.8	-580	-382	19.7	1.47	4,242	9.5
115. Owens-Illinois	401	6.7	156	15.9	34	19	10.0	.40	3,874	10.3
116. Ashland Oil[9]	401	11.1	147	NM	-13	-29	12.5	.55	7,891	5.1
117. Campbell Soup[6]	400	123.4	198	3.5	102	-87	14.3	.28	3,989	10.0
118. Motorola	394	-10.5	72	-81.4	-411	-499	3.2	.44	5,443	7.2
119. FMC	390	-11.5	197	-13.0	-1	173	17.4	.33	3,261	12.0
120. Eastern Air Lines	390	-1.4	6	NM	-209	-100	NM	6.20	4,815	8.1
121. Scott Paper	384	54.7	201	7.5	CF	-128	17.0	1.19	3,060	12.6
122. Dun & Bradstreet	381	10.1	295	16.6	13	56	21.7	.02	2,772	13.7
123. May Department Stores[4]	373	52.0	235	10.0	-36	-68	16.4	.44	5,080	7.4
124. Williams	369	-16.0	32	-78.1	-9	91	2.6	1.63	3,140	11.8
125. Deere[5]	367	83.6	31	-70.9	-56	19	1.4	.74	4,061	9.0
126. Warner-Lambert	366	.5	-316	NM	4	63	NM	.59	3,200	11.4
127. Archer-Daniels-Midland[5]	359	107.0	164	39.2	CF	CF	9.1	.32	4,739	7.6
128. Southern New Eng. Tel.	357	31.6	120	-3.8	11	-47	12.1	.61	1,381	25.9
129. USG	355	43.6	224	20.0	132	71	22.7	.24	2,527	14.1
130. Crown Zellerbach	355	101.4	-27	NM	127	-148	NM	.56	3,083	11.5
131. Air Products & Chemicals[6]	354	2.6	144	2.0	-119	18	12.3	.64	1,930	18.3
132. Gannett	351	-.8	253	13.1	25	129	19.9	.39	2,209	15.9
133. Upjohn	346	37.8	203	17.3	-23	39	15.7	.35	2,017	17.1
134. Pillsbury[9]	345	-11.1	192	13.0	-142	14	16.5	.60	4,671	7.4
135. CPC Int'l.	345	2.9	142	-26.6	-205	-75	10.4	.55	4,210	8.2
136. Texas Instruments	343	-42.3	-119	NM	-193	-160	NM	.29	4,925	7.0
137. Centel	342	-13.7	129	4.3	-24	77	15.1	.95	1,326	25.8
138. Warner Communications	339	-45.4	195	NM	311	548	38.3	.97	2,235	15.2
139. IC Industries	333	5.7	154	15.7	-14	-9	9.1	.96	4,405	7.6
140. Emerson Electric[6]	322	54.0	401	14.9	-68	-126	18.1	.12	4,649	6.9
141. Waste Management	319	10.4	173	20.4	-119	-88	15.1	.46	1,625	19.6
142. Melville	315	35.5	220	15.5	131	27	19.9	.10	4,775	6.6
143. Armco	315	-29.5	-118	NM	131	250	NM	.75	3,733	8.5
144. Heinz (H.J.)[2]	315	-8.5	268	12.0	36	110	21.6	.36	4,048	7.8
145. Boise Cascade	312	-8.4	105	49.8	-113	-226	7.0	.74	3,737	8.3
146. LTV	310	NM	-772	NM	-28	-771	NM	3.49	6,199	3.8
147. Southland	305	-55.5	213	32.6	-230	162	15.2	.67	12,377	2.5
148. Humana[7]	301	1.6	216	11.8	-217	-260	24.9	1.40	2,188	13.8
149. American Stores[4]	298	-8.0	155	-16.7	1	-30	16.8	1.09	13,890	2.1
150. Eaton	292	22.5	231	-9.2	109	63	16.5	.34	3,675	7.9

COMPANY	CASH FLOW		NET INCOME		DISCRETIONARY CASH FLOW		RETURN ON EQUITY	DEBT TO EQUITY	REVENUES	CASH FLOW TO REVENUES
	$Millions '85	%change vs. '84	$Millions '85	%change vs. '84	$Millions '85	$Millions '84	%	%	$Millions	%
151. Ogden	269	217.2	21	-46.7	211	-33	6.7	.70	1,026	26.1
152. Woolworth (F.W.)[4]	268	5.5	177	-25.5	21	13	14.4	.30	5,705	5.1
153. Teledyne	267	19.2	546	-4.9	170	184	34.6	.43	3,256	8.8
154. Alexander & Alexander Serv.	265	250.9	45	72.6	209	31	15.7	.48	914	31.2
155. Rohm & Haas	265	22.6	141	-16.1	25	37	15.1	.44	2,061	13.9
156. Union Camp	263	-26.3	95	-47.6	-55	-32	7.2	.55	1,866	15.2
157. Storage Technology	278	NM	-44	NM	174	-350	NM	NM	673	41.3
158. Kroger	274	-39.1	161	15.4	-250	31	15.2	.92	17,124	1.6
159. Colt Industries	271	72.1	129	-2.2	177	46	31.2	.85	1,579	17.2
160. Schering-Plough	270	-16.3	193	8.7	-34	-15	13.0	.57	1,927	14.0
161. Murphy Oil	269	-16.5	80	-32.2	-49	-49	7.9	.31	2,108	12.8
162. Burlington Industries[8]	266	54.0	13	-79.9	28	-120	1.1	.42	2,802	9.4
163. Int'l. Minerals & Chemical[9]	264	1.5	120	6.8	40	51	11.0	.33	1,627	16.3
164. Lucky Stores[4]	262	26.1	87	-8.6	-82	-56	13.3	.60	9,382	2.8
165. Greyhound	258	-57.7	120	-4.0	68	434	10.3	.54	2,562	10.1
166. Fort Howard Paper	256	9.1	157	18.0	-54	9	14.1	.11	1,363	18.8
167. Avon Products	254	7.0	128	-29.4	-10	-72	13.8	.73	2,470	10.3
168. American Cyanamid	253	-26.3	120	-44.3	-51	46	7.3	.51	3,536	7.2
169. Leaseway Transportation	253	-30.8	29	-30.9	-278	-172	8.6	1.17	1,430	17.7
170. Apple Computer[8]	252	NM	61	-4.4	198	-38	11.1	.00	1,918	13.1
171. Macy (R.H.)[8]	252	40.4	186	-14.7	-58	-110	14.4	.16	4,366	5.8
172. Winn-Dixie Stores[6]	248	21.2	106	-6.9	15	-28	16.7	.15	7,775	3.2
173. Allied Stores[4]	247	58.3	159	13.2	45	-12	12.7	.56	4,135	6.0
174. Penn Central	244	-15.2	111	-34.6	83	100	6.1	.17	2,527	9.7
175. Tribune	243	-6.0	124	20.2	33	83	13.6	.62	1,933	12.5
176. Squibb	242	88.5	227	14.9	-72	-67	15.5	.29	2,042	11.8
177. Quaker Oats[5]	241	4.6	157	12.9	75	50	19.4	.41	3,520	6.9
178. Time	241	-56.6	200	-7.7	-73	167	16.5	.44	3,404	7.1
179. Browning-Ferris Inds.[8]	240	32.3	112	25.4	-34	-27	20.3	.23	1,145	21.0
180. Dresser Industries[9]	239	-21.7	-196	NM	-7	103	NM	.35	4,111	5.8
181. USAir Group	238	-22.9	117	-3.7	-111	-51	13.1	.50	1,705	13.9
182. AMP	237	-2.7	108	-48.3	-69	-58	10.8	.19	1,636	14.5
183. Ethyl	237	17.1	117	-11.4	109	80	14.7	.60	1,547	15.3
184. Corning Glass Works	234	12.1	108	21.0	CF	CF	9.1	.31	1,691	13.8
185. Dana	234	-15.7	165	-13.7	-15	119	13.8	.49	3,754	6.2
186. Texas Air	231	143.8	49	74.9	13	-49	36.1	5.48	1,944	11.9
187. Limited[4]	231	105.7	145	57.1	30	-20	36.2	.97	2,387	9.7
188. Whirlpool	231	119.7	182	-3.8	-29	-105	15.1	.05	3,475	6.7
189. Transco Expl. Partners	231	NA	-6	NM	-254	NA	NM	.26	364	63.4
190. Tektronix[3]	230	48.5	90	-23.6	130	38	10.6	.13	1,438	16.0
191. Dow Jones	229	40.4	159	7.3	13	-20	23.1	.42	1,039	22.0
192. Knight-Ridder	227	5.6	133	-5.7	73	82	19.1	.46	1,730	13.2
193. Baker Int'l.[8]	227	-22.8	88	24.2	33	124	8.7	.39	1,904	11.9
194. Pitney Bowes	227	32.4	145	4.6	-24	-70	18.5	.27	1,832	12.4
195. Federal Express[3]	221	-7.2	70	-34.1	-390	-423	9.3	.90	2,091	10.6
196. Northrop	221	-.3	214	29.0	-219	-167	24.0	.19	5,057	4.0
197. Chesebrough-Pond's	220	210.4	68	-43.1	-15	-67	10.0	2.02	2,700	8.1
198. Advanced Micro Devices[1]	218	86.0	135	90.4	-61	-15	30.4	.13	931	23.4
199. Bowater	215	80.8	68	8.0	-206	-86	16.0	.70	904	23.8
200. GenCorp[10]	213	52.8	49	576.2	4	-54	5.1	.33	3,021	7.0

ALPHABETICAL RANKING—CASH FLOW: THE TOP 200

The company ranking appears in **boldface** for 1985 and in lightface for 1984.

COMPANY	RANK '85	RANK '84
AMP	182	171
AMR	50	55
AT&T	5	
Abbott Laboratories	73	78
Advanced Micro Devices	198	
Air Products & Chemicals	131	116
Alexander & Alexander Serv.	154	
Allied Stores	173	37
Aluminum Co. of America	81	64
Amerada Hess	36	74
American Brands	80	77
American Cyanamid	168	124
American Home Products	50	43
American Info. Tech.	14	
American Medical Int'l.	111	194
American Stores	140	134
Amoco	7	7
Anheuser-Busch	48	54
Apple Computer	170	
Archer-Daniels-Midland	127	
ARMCO	143	95
Ashland Oil	116	117
Atlantic Richfield	9	5
Avon Products	187	179
Baker Int'l	193	147
Bell Atlantic	15	
BellSouth	13	
Boeing	19	28
Boise Cascade	145	125
Borden	100	96
Borg-Warner	110	132
Bowater	199	
Bristol-Myers	78	88
Browning-Ferris Inds.	179	
Burlington Inds.	182	
Burlington Northern	30	18
Burroughs	84	101
CBS	85	110
CPC International	135	119
CSX	33	29
Campbell	117	
Caterpillar Tractor	57	45
Celanese	54	174
Centel	137	105
Champion Int'l.	97	
Chesebrough-Pond's	197	
Chevron	4	11
Chrysler	18	14
Coca-Cola	42	32
Colt Inds.	150	
Contel	88	
Corning Glass Works	184	200
Crown Zellerbach	139	
Dana	185	154
Dart & Kraft	98	56
Dayton-Hudson	165	159
Deere	125	190
Delta Air Lines	88	60
Diamond Shamrock	76	35
Digital Equipment	77	
Dow Chemical	70	21
Dow Jones	191	
Dresser Industries	180	141
Du Pont (E.I.)	11	10
Dun & Bradstreet	122	122
Eastern Air Lines	120	106
Eastman Kodak	43	22
Eaton	190	177
Emerson Electric	140	199
Ethyl	183	
Exxon	1	1
FMC	119	97
Federal Express	195	178
Federated Dept. Stores	81	153
Ford Motor	8	4
Fort Howard Paper	186	183
GTE	12	12
Gannett	132	120
GenCorp	200	
General Dynamics	86	44
General Electric	20	17
General Motors	2	3
General Motors (Class E)	76	
Georgia-Pacific	64	67
Goodyear Tire & Rubber	40	42
Greyhound	165	75
Halliburton	101	50
Heinz (H.J.)	144	123
Hewlett-Packard	51	61
Holiday	87	109
Honeywell	83	68
Hospital Corp. of America	93	80
Humana	148	145
IC Industries	139	137
ITT	32	94
Int'l. Business Machines	3	2
Int'l. Minerals & Chemical	163	163
Int'l. Paper	90	59
Johnson & Johnson	45	40
Kellogg	194	129
Kerr-McGee	85	83
Kimberly-Clark	99	135
K mart	39	
Knight-Ridder Newspapers	192	196
Kroger	158	93
LTV	148	
Leaseway Transportation	189	113
Lilly (Eli)	89	47
Limited	187	
Litton Industries	112	34
Lockheed	96	71
Louisiana Land & Expl.	113	102
Lucky Stores	194	
MCA	62	85
MCI Communications	63	84
Macy (R.H.)	171	
Marriott	114	143
MAPCO	97	
Martin Marietta	96	121
May Dept. Stores	123	189
McDonald's	55	52
McDonnell Douglas	107	
Melville	142	185
Merck	47	49
Minn. Mining & Mfg.	38	38
Mobil	10	6
Monsanto	66	96
Motorola	118	98
Murphy Oil	131	131
NCR	96	81
NYNEX	17	
Norfolk Southern	37	41
Northrop	196	191
Occidental Petroleum	31	24
Ogden	181	
Owens-Illinois	118	112
PPG Industries	103	89
Pacific Telesis	22	
Penn Central	174	151
Penzoil	94	65
Pepsico	60	46
Pfizer	79	66
Philip Morris	41	25
Phillips Petroleum	23	15
Pillsbury	134	107
Pitney Bowes	194	
Procter & Gamble	56	30
Quaker Oats	177	187
RCA	34	82
RJR Nabisco	28	
Ralston Purina	92	111
Raytheon	102	115
Rockwell Int'l.	49	33
Rohm & Haas	156	186
Ryder System	91	86
Safeway Stores	74	99
Santa Fe Southern Pacific	25	
Sara Lee	65	180
Schering-Plough	189	136
Scott Paper	121	169
SmithKline Beckman	72	58
Southern New Eng. Tel.	128	157
Southland	147	62
Southwest Bell	21	
Squibb	178	
Standard Oil	16	13
Storage Tech.	157	
Sun	24	19
TRW	188	176
Tektronix	180	
Teledyne	183	175
Tenneco	26	
Texaco	6	9
Texas Air	166	
Texas Instruments	136	76
Time	170	79
Times Mirror	169	133
Transco Expl. Partners	160	
Tribune	175	162
USG	129	170
Union Camp	155	108
Union Pacific	33	31
United Parcel Service	44	51
USAIR	160	139
U.S. West	23	
United Technologies	69	63
United Telecom.	52	48
Unocal	26	16
Upjohn	133	167
Wal-Mart	166	
Warner Communications	138	72
Warner-Lambert	126	114
Waste Management	141	149
Westinghouse Electric	71	57
Weyerhaeuser	82	73
Whirlpool	168	
Williams	134	100
Wine-Dixie	172	
Woolworth (F.W.)	152	156
Xerox	27	26

DEFINITIONS AND FOOTNOTES

Definitions:

Cash flow from operations was derived from the following formula: net income (not including extraordinary items) adjusted to remove expenses not requiring cash (depreciation and deferred taxes) and income not generating cash (unremitted earnings from unconsolidated subsidiaries) and also adjusted for changes from the prior year in current receivables, other current assets other than cash and cash equivalents, current accounts payable, income taxes payable and other current liabilities other than notes payable and debt due within one year.

Percentage change in cash flow from operations is current cash flow divided by the prior year cash flow.

Discretionary cash flow from operations is cash flow from operations minus capital expenditures, total dividends and debt due in one year as reported in prior year's statement.

Return on common equity is net income available for common shareholders divided by common equity—that is, common stock plus capital surplus and retained earnings.

Debt as a percentage of equity is the ratio of total debt to total equity. It is calculated by taking long-term debt plus the portion of long term debt due in one year plus notes payable and dividing the total by total shareholder equity (preferred stock plus common stock, capital surplus and retained earnings).

Abbreviations:

cf: combined figure (calculation cannot be done because the company did not report individual items). *nm:* not meaningful (equation contains one or more negative numbers). *nr:* not reported (item required to do calculation was not reported). *na:* not available

Footnotes:

1. Fiscal year ended March 31, 1984. 2. Fiscal year ended April 30, 1984. 3. Fiscal year ended May 31, 1984. 4. Fiscal year ended January 31, 1985. 5. Fiscal year ended June 30, 1985. 6. Fiscal year ended July 31, 1985. 7. Fiscal year ended August 31, 1985. 8. Fiscal year ended September 30, 1985. 9. Fiscal year ended October 31, 1985. 10. Fiscal year ended November 30, 1985.

Source:

The study is drawn from the Standard & Poor's Compustat data base of 6,400 companies from which were eliminated financial companies (savings and loans, banks, insurance companies, securities firms and finance companies); companies with more than 50% of profits from finance subsidiaries of domestic companies and regulated gas and electric utilities.

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INVESTMENT UPDATE

Here's the current status of a number of investments, and a look at how they have fared over the past month and the past year.

INVESTMENT	(5/31/86) Recent Price or Yield	Value of $10,000 if invested: Month Earlier	Year Earlier
Common Stock (Index fund, capital gains and dividends reinvested)	$27.07/share	$10,545	$13,491
per cent change		+5.5%	+34.9%
Bonds (30-yr., 11¾% Treasury Bond)			
MARKET VALUE	$128.50	$ 9,324	$11,782
ACCUMULATED INCOME		$ 71	$ 1,077
TOTAL		$ 9,395	$12,859
per cent change		−6.1%	+26.6%
Money Market Fund	6.22%	$10,053	$10,724
per cent change		+.5%	+7.2%
Gold (Krugerrands)	$346.50/oz.	$ 9,923	$10,510
per cent change		−.8%	+5.1%
HOUSE PRICES	**Recent**	**Month Earlier**	**Year Earlier**
Existing House	$104,700	$104,200	$ 87,000
per cent change		−.5%	+16.9%
New House	$115,000	$114,200	$106,400
per cent change		+.7%	+7.5%

Sources: Vanguard Group Inc.; Salomon Brothers; Donoghue's Money Fund Report; Manfra, Tordella & Brookes, Inc.; Federal Home Loan Bank Board.

rently trading around 28, the stock could double, he believes.

Awad is very keen on Polaroid, a company that has accrued "so much negative goodwill" because of its persistent earnings disappointments that Wall Street analysts are ignoring the fact that Polaroid is gathering steam for an earnings explosion that "will give it $7 in earnings power over the next two-to-three years," he says. The company is reaping the benefit of several years of cost-cutting, tremendously successful early returns from its major new product—the Spectra system—and its court victory over Kodak. The last restores Polaroid's monopoly in instant photography and, within two years, will provide a major cash infusion from Kodak—estimated as high as $10-to-$15 per share, after taxes. BMI estimates 1986 earnings at $3.60 per share and $4.40 for 1987. The stock, which is currently trading at about 68, could then sell near 100.

Market conditions are also hospitable to certain specialty retailers, including family-run Roses Stores, one of the dominant high-quality discounters in the small Southeastern towns it serves. Younger family members took over the management in 1980, says Awad. They repositioned the product lines, refurbished the stores, introduced point-of-sale machines and radically lowered costs. At 37, the stock is a mere eleven times BMI's 1987 projected earnings of $3.36 per share.

Also on the comeback trail is Roper Corp., a manufacturer of kitchen ranges and lawn mowers. Scarred by an earnings loss in fiscal 1985 (ended June 30) from heavy one-time expenditures—the company moved plants into low-cost areas and suffered production headaches with some new products—Roper is now enjoying huge incremental margins from its cost-saving measures, says Awad. At 38, the stock is currently trading at a mere eight-and-a-half times the $4.50 a share earnings that BMI projects for 1987, versus an estimated $2.85 for fiscal 1986. Once the earnings growth is recognized, he thinks the stock should trade between the mid-50s and the low 70s over the next twelve-to-twenty-four months.

Among younger, high-growth technology companies, BMI likes Rexon Business Machines. Rexon was founded by Ben Wang, one of the deans of the disk drive industry. He developed the streaming tape drive, a backup memory that effectively doubles the capacity of all small business computers and large PCs that use Winchester disk drives. The stock soared to 21 on the strength of the market's excitement about the product, but Wang needed another couple of years—and lots more money—to perfect it. Now, Rexon revenues are running at an $89 million annual rate, compared to $10 million two years ago. After sustaining a big loss for the 1985 fiscal year ended September 30, Rexon will earn 35 cents a share in 1986. More importantly, Awad says, the company could earn $1.50-to-$2 in two years, which would catapult the stock (currently at 9) over the $20 mark, he believes.

—ELIZABETH KAPLAN